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Research Study

The Political Implications of Modernization: The Brazilian Case

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CENTRAL INTELLIGENCE AGENCY

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THE POLITICAL IMPLICATIONS OF MODERNIZATION:
THE BRAZILIAN CASE

By



STATINTL

NOTE: This study was prepared by the Office of Political Research. Other agencies and CIA offices were consulted, but the study has not been formally coordinated and does not represent an official CIA position. The issuing office is aware that the complex matters discussed lend themselves to other interpretations. Comments on the paper will be welcomed by the author, who may be reached at code 143, extension 5441.

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FOREWORD

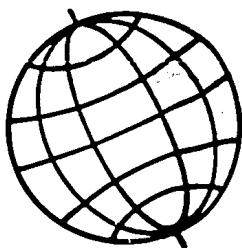
This study represents a relatively new form of intelligence production, which the issuing office has labelled "functional research." These studies focus on complex and often ill-defined issues—in this case modernization—that vitally affect the political dynamics of large numbers of countries, and therefore their relations with the US. The major purposes of functional research are (1) to illuminate the issue at hand by providing an analytical framework that applies broadly to most of the countries affected, (2) to utilize the framework in assessing the prospects for change in an important country or region, and (3) to examine the implications of the issue for US interests.

In this paper, [REDACTED] examines the profound impact on the politics of developing countries of the problems associated with modernization and charts the stringent requirements for dealing with these problems effectively. This analytical framework is then applied to an assessment of the achievements, problems, and prospects of the military regime in Brazil—perhaps the Latin American country of greatest long-term importance to US interests, and one of the most controversial, with regard to its prospects, among intelligence analysts and policymakers alike. A final section draws the implications, both for US ties with Brazil and for US relations with developing countries generally.

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BRAZIL



Brazilian Foreign Minister Antonio Aguiar, left, says:

"Confrontation is obviously inevitable when North-South relations are based on a system in which what is required by the developing countries is never fully applied to the industrialized countries. When one side takes the attitude of indifference to the other's problems, prices and the other side, despite the best intentions, is forced to the world of international commerce."

"The final objective in this process is order, there does not seem to exist much of an objective basis for a dialogue with the foreign firm in cooperation. . . . For the first time and this is a positive consequence of the energy crisis, developed and developing countries are in a position to negotiate effectively, and to offer equivalent concessions. North-South negotiations thus becomes an enterprise from which both sides may receive mutual benefits. . . ." (Speech to the UN, 1 September 1975)

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KEY JUDGMENTS

The internal politics and foreign policies of developing countries are increasingly influenced by the need to cope with the stressful societal changes that constitute the process of modernization. This preoccupation with the politics of modernization will, in turn, increasingly shape US relations with the developing countries, individually and collectively, especially as their demands grow for basic changes in global economic and power relations to help facilitate their national development.

Over the past decade, few developing countries made substantial progress in overcoming the obstacles to rapid and sustained national development. And over the next decade—one likely to be characterized by acute worldwide economic strains—effective control over the process of modernization may prove still more elusive. Even those countries with abundant physical and human resources will face difficulty in surmounting domestic bottlenecks (e.g., in education and in infrastructure generally), uncertain access to external inputs to development (capital, technology, markets), and the stresses inherent in the modernization process itself.

This bleak outlook serves to underscore the importance of two requirements for effective modernization, in addition to adequate resources: (1) a coherent strategy which provides a framework for critical choices, such as on the allocation of scarce resources among competing groups and needs; and (2) the institutional capacity for implementing political, social, and economic policies that are congruent with the requirements of modernization and with each other.

Modernization has been a conscious priority goal of Brazilian governments at least since World War II. In the decade prior to the military ascension to power in 1964, however, the strategies followed by Brazil's political leaders were inadequate to overcome many of the obstacles to modernization. In particular, their economic and political policies were often incongruent with each other as well as with domestic and international realities. President Kubitschek (1956-61), for example, achieved rapid growth but at the cost of stimulating rates of inflation that cut off the supplies of capital needed to sustain the drive. President Goulart (1961-64) pursued populist measures, in the name of modernization, in a manner that stimulated economic and political tur-

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bulence, isolated him from the traditional power groups, and precipitated his overthrow by the military.

In contrast, since taking over the government in 1964, the military has implemented a comprehensive strategy which puts Brazil in the forefront of those few developing countries with a chance successfully to modernize and achieve great power status in the foreseeable future. The main ingredients in the military's modernization effort have been to strengthen the institutional capacity of the central government to stimulate rapid and sustained economic growth, to constrict direct civilian political participation in order to reduce demands on the country's political institutions, and to expand alternate institutional means for perceiving and dealing with public needs.

The regime's policies have resulted in an impressive economic performance so far:

- GNP expanded by about 10 percent and industrial production by about 13 percent per year during 1968-74.
- Inflation dropped from over 90 percent in 1964 to under 20 percent during 1971-73.
- Most importantly, a large number of monetary, fiscal, and administrative instruments of control were created or strengthened to make growth more consistent and predictable.

One immediate cost of the regime's policies has been a growing inequity in income distribution. There is also increasing concern that private domestic savings may not be adequate to generate the investment needed for the next phase of more highly capital intensive industrial expansion. And increasingly higher levels of exports will be needed to maintain Brazil as an attractive foreign investment risk and to repay rapidly accumulating debts.

Despite these problems, Brazil's abundance of natural resources, the regime's success in creating effective economic institutions, and its flexibility in meeting new and varied challenges give strong promise of continued economic success.

On the political side, the regime's achievements are harder to measure and the prospects more uncertain. It has succeeded in its primary goal of reducing the level of political demand. It appears to enjoy broad popular support, or at least acquiescence, for its rule and policies. The costs have been heavy in terms of the loss of political and, to a lesser extent, personal liberties by formerly articulate groups (e.g., professional politicians, intellectuals and students, representatives of the media.)

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The key political issue is whether and how an authoritarian regime can gain the increased popular participation and cooperation almost certainly needed for higher levels of modernization. Recent steps by President Geisel (1974-present) to ease restrictions on the media and political classes have increased tensions. Legislative elections led to strong gains by the official opposition party and to consequent great concern by the regime's more conservative supporters over the probable future results of government political policies. There is little likelihood that Geisel will further ease political restrictions anytime soon. Although this will severely disappoint the groups which had hoped to benefit from additional liberalization, it will probably not lead to mass popular unrest or even a serious loss of trust in the regime by the public generally or by most elite groups.

In actuality, the future stability of the military regime is more likely to depend on the responsiveness and efficiency of the massive federal bureaucracy than on the role permitted the civilian political class. To most Brazilians, among the elites as well as the masses, the "political" system of greatest importance is the network of contacts and influence relationships that connects them with the bureaucratic superstructure. One of the major achievements of the regime to date has been to expand the size and effectiveness of this bureaucracy and to increase the resources it can deliver as benefits. For example,

- School enrollment jumped from 27.2 percent to 41.4 percent of school-aged population between 1964 and 1969.

- A large number of separate social security institutions were reorganized into a single system which provides a wide range of welfare services to virtually all urban workers.

At least for the next several years, therefore, the military's system of bureaucratic authoritarianism seems likely to generate the popular support needed for effective modernization, thereby obviating the need for more "democratic" forms of political activity.

The future effectiveness of the military's modernization strategy also depends on the maintenance of a high degree of unity within the armed forces. Some tensions exist within the military over issues such as how much political liberalization to permit, but these strains do not seriously threaten to divide the services. Particularly since strict limits were placed on current liberalization efforts, the objections of military conservatives to the government's modernization policies have been undercut. Furthermore, these policies seem to have wide acceptance in the basically apolitical officer corps. Finally, 11 years of successful rule appear to have created a high degree of confidence among military officers in their governing abilities and a greater degree of tolerance for criticism, thus

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diminishing the chances that a large number of officers will respond to the stringently anti-communist, anti-subversion, highly nationalistic positions of the military conservatives, even at times of political conflict.

Modernization is an extremely complicated and difficult process, even in a country as richly endowed as Brazil. The Brazilian economic "miracle" could be interrupted by forces arising from the international environment, such as a prolonged recession among industrial countries. The bureaucracy could succumb to administrative rigidity and lose its ability to respond to public needs. The process of modernization itself might give rise to potent new social and economic groups that cannot be absorbed by the existing system, as resilient and adaptable as it has proved to date.

Yet, with all these possibilities taken into consideration, Brazil's chances of solving the problems of modernization seem better than any other country in Latin America and, perhaps, in the world as well. The strength of the government and the relatively low political volatility of the population, the basic congruities that exist between the regime's modernization strategy and Brazilian political and economic realities, and the apparent ability of Brazilian leaders to create institutions and policies and use them flexibly to overcome obstacles all lend credibility to the national goal of status as a world power by the end of the 20th century.

The intensified drive towards modernization—both by such relatively advantaged countries as Brazil, Venezuela, Iran, and Nigeria, and by the poorer developing countries as well—has major foreign policy implications for the US. As these countries commit themselves to attempting to accelerate and guide the changes inevitably occurring in their societies, their relations with the US will tend to depend more and more on whether Washington appears to be aiding or blocking their desired courses of development, including their attempts to reorder the international economic system more in their favor.

In these efforts to obtain greater wealth, the developing countries take two approaches. The more radical approach calls for a rapid and absolute transfer of resources from the industrialized to the developing world. Generally, those countries pursuing the politics of modernization cast in this frame seek conflict and confrontation with the industrialized countries. The more moderate approach, advocated strongly by Brazil up to now, accepts the desirability of continued growth of all economies, including those of the developed countries, and seeks a larger share of that new growth rather than a net reduction of the industrial world's existing wealth.

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Given its size, resources and determination to achieve great power status, whether Brazil continues to follow its current moderate strategy or switches to the radical confrontational strategy will have a major impact on the politics of modernization worldwide. How Brazil perceives US attitudes towards its developmental efforts will be the most important factor in shaping Brazil-US relations and, since its drive to modernize may well falter without US support, in determining whether it remains in the moderate camp.

Supporting the drive to modernize by Brazil and other key developing countries could be painful for the US and lead to political and economic disadvantages, at least for the short-term. An economically stronger Brazil will be able to make foreign policy demands in a more forceful way. It will also be a stronger competitor for scarce raw materials and foreign markets. And almost certainly, even if the US is perceived by Brazilian leaders as basically favoring the country's development, Brazilian and US interests will continue to diverge over such difficult-to-resolve bilateral problems as:

- Whether the US will be responsive to Brazilian desires for better access to US markets and for help in obtaining more stable commodity prices.
- Whether the Brazilian desire to acquire advanced technology from US sources can be met at an acceptable political and economic price to US interests.
- Whether the US can "tolerate" in Brazil a degree of repression greater than acceptable to US values.

Although possibly disadvantageous to the US in the short run, continued rapid and sustained modernization in key developing countries such as Brazil, which take a moderate position on how the world's economic resources should be redistributed, could yield beneficial long-run results to the US in the following ways:

- The influence in world forums of developing states which pursue their goals through radical confrontation would be lessened.
- A framework of cooperative interdependence might be created between industrialized countries and certain influential developing countries within which the competition and conflict generated by the politics of modernization could be held to at least tolerable levels.
- The chances for peaceful advancement of US objectives—especially solutions to global problems such as food shortages, rising population, law of the seas, and the dispersion of nuclear weaponry—would be enhanced.

THE DISCUSSION

I. APPROACH AND OBJECTIVES

This paper, on the political implications of modernization especially in Brazil, assesses the process of modernization as it affects the domestic politics and foreign policies of countries urgently seeking a strategy to overcome obstacles to national development. Many of these countries—e.g., Brazil, Mexico, Egypt, Nigeria—already exercise considerable regional influence and harbor pretensions for influence on the world scene as well. The extent to which they achieve their goals of national transformation, the means they employ, and especially whether they make radical or moderate demands on the industrialized countries in their efforts to overcome the obstacles they face will have considerable impact on US interests during the decade ahead.

Modernization, in the broadest sense, can be viewed as the process of social, economic, and political change that occurs in all but the most isolated societies in reaction to pressures from the outside world and to dislocations in one or another domestic sector. This process almost inevitably engages the political system of a society as elite groups and other power contenders attempt to resist, accommodate, manipulate and control the changes. The focus of this study is on the *politics of modernization*—especially the goal-oriented activities pursued by governments and modernizing elites in order to stimulate and manage the process of change.*

Governments and ruling elites in all developing countries are forced to adjust their policies and practices to external and internal challenges to the *status quo* in order to survive. In some cases they attempt to rise above the insecure status of merely accom-

modating to change by trying to imprint some kind of pattern on it, a tactic which at least improves their own political position if not also their country's status in the world order. But despite a nearly universal concern with modernization and its requirements, only a small number of developing countries have elites with either the capacity or the will to seize the initiative by devising and implementing the kind of comprehensive and realistic strategy needed to direct effectively the process of modernization.

The first section of the paper will attempt to examine the process and politics of modernization primarily as it affects those countries already at or somewhat beyond the mid-range of development, where questions about the direction and pace of modernization become all the more salient.* The central goals that modernizing elites most commonly strive for will be addressed, as well as other factors that tend to shape their development strategies. Additionally, the problems they face and the hard, basic decisions they must make to achieve their goals will be analyzed.

The second section will elaborate this general approach by analyzing Brazil's strategy for modernization under the military regime that has controlled the country now for more than a decade. The military's program for transforming Brazil into a world power and, in the process, for perpetuating its own social, economic, and political values will be examined to clarify the rationale behind the strategy and to assay its advantages and disadvantages.

Although Brazil's great size and abundance of natural resources set it apart from most other developing nations, it offers a particularly rich source of information about the politics of modernization in general. Indeed, modernization has been a conscious national pursuit for at least the last three decades.

*Many academic studies of modernization concentrate on the factors that distinguish "modern" from "traditional" society or "modern" from "traditional" man. Their definitions usually cite sets of attributes (such as rates or degree of industrialization, urbanization and social mobilization in the case of societies and a sense of personal efficacy and relative open-mindedness to new ideas in the case of man) which characterize their subjects. Alternatively, they point to a single-factor difference between "traditional" and "modern," such as an increasingly greater control over the environment when moving from the former to the latter.

*The phrase "mid-range of development," while necessarily imprecise, refers to that group of countries which are characterized by having several large urban concentrations, a centralized political system with generally effective control over most inhabitants, social and educational systems which offer upward mobility for large segments of the population, and a substantial industrial base which can produce most primary consumer goods and some intermediate products.

during which a variety of regimes have held power, and the similarities and contrasts in their approaches to modernization throw useful light on the phenomenon. Finally, Brazil's last four administrations, all military dominated, have followed a highly consistent and coherent modernization strategy. Policy longevity of this kind provides an unusually favorable opportunity for observations about the roots of a modernization strategy, its strengths and weaknesses, the conditions under which it might be modified, and its likely future direction.

The politics of modernization is, of course, only one of many possible frameworks for assessing the problems and prospects of the key developing countries of the world. This study assumes that it is a particularly useful approach because, for most countries in this era of global economic trauma, problems of modernization are rapidly gaining in importance relative to all other issues—including historical friendships, ideology, and military security—that shape foreign policy. Thus, the general tone of relations between the US and the key developing countries will increasingly be set by how they view US support for their efforts at modernization and whether they take a radical or moderate approach to overcoming the obstacles they see placed in their paths by the policies of the industrial powers. The final section of the paper will, therefore, consider the growing importance to the US of the politics of modernization worldwide. In particular, the implications for US interests of Brazil's quest for modernization and of its current moderate stance on redistributing the world's wealth will be assessed.

II. MODERNIZATION: RHETORIC AND REALITY

For the rulers of most developing countries modernization has been essentially a reactive process—largely forced upon them by foreign stimuli or the result of changes insisted upon by certain narrowly-based, privileged domestic groups to further their own self-interests. These governments attempt to cope with the pressures for change by making essentially catch-up adjustments and by instituting the measures called for by the most powerful elements of the elite. Many so-called indices of modernity do advance after a fashion: industrial output, domestic and foreign trade, school attendance and literacy generally increase, if at times erratically. Nonetheless, attempts to plan and control change systematically usually stop at the rhetorical level, and the general

condition of underdevelopment persists. Over time, the gap in most indices relative to the industrial world tends to expand rather than contract.

For a small number of countries, however, the drive to modernize has become the central political issue. Systematic and sustained attention to controlling change now stands behind the rhetoric, and comprehensive plans and strategies for speeding modernization have been developed. For these countries, in short, rhetorical goals are no longer sufficient political coin; politics require the construction of practical means to achieve national objectives.*

A. Goals and Models of Modernizing Elites

Whether at the level of rhetoric or reality, most modernizing elites regularly seek two broad goals: increased national independence for their countries and greater material well-being for their societies. A third goal commonly pursued by these leaders, implicit in their actions, is their own political dominance and the imposition of their values over those of potentially competitive groups in their societies.**

In the modernizing world these goals are perceived as linked. To enhance national independence a government must perform integrative functions at home and political and economic functions internationally that require an expanding access to allocable wealth. Similarly, to bring about economic growth and channel its fruits to the host population rather than to foreign interests, a considerable degree of national independence is seen as necessary. Moreover, once rapid societal change has begun, modernizing elites recognize that the creation of a society which is both relatively free of external political and economic controls and whose wealth is expanding helps underwrite continuing political and economic dominance for their own group.

*While the construction of the list of less developed countries in the aforementioned status is more than a little arbitrary, certainly in Latin America, Brazil, Mexico, Peru, Venezuela, and Cuba would be included. Probably, Chile and Colombia would also qualify. Elsewhere, Egypt, India, Singapore, Indonesia, Iran, Nigeria, Pakistan, South Korea, and Taiwan should be added. China, though in most ways in a category by itself, also shows the qualifying characteristics.

**This combination of explicit and implicit motives for undertaking an organized effort to modernize seems to be constant throughout the less developed world and is independent of the ideological orientation of any particular modernizing elite. John H. Kautsky discusses these motivations in *The Political Consequences of Modernization* (New York, Wiley, 1972), pp. 106-112.

In pursuing modernization, development-minded elites are influenced by relatively specific models of modernity although the models may evolve over time. Originally, the political and economic institutions of the industrial nation they were linked to, by colonial heritage in the case of Asia and Africa or by sphere of influence for Latin America, were viewed as indivisible benchmarks of modernity. Later, a separation between the economic and political elements of the model took place in most cases. Key economic institutions were often retained largely intact, usually because they were essential to continued participation in an international economic system largely structured by the older industrial states and because they often did produce periods of some real, albeit sporadic, growth. Inherited or copied political institutions, on the other hand, have generally been sharply modified because they proved ineffective as mechanisms for promoting national development and the perpetuation in power of the governing elite. For most developing countries modernization in the political arena thus has become a process of attempting to devise new institutions which, given the stress of rapid change, permit more effective, secure, and centralized rule.

The impetus behind the drive to establish strong and usually authoritarian central governments is clear.* Modernizing elites feel themselves under immense pressure to achieve quick results. Demands are escalating much more rapidly within societies than ever before, and both the capacity to regulate activity and to create and distribute resources among competing groups must keep pace. Means must be developed quickly to control the competition for limited material resources between those already politically powerful, and the many new groups which are becoming politically aware. In these circumstances the penalties for failing to develop a strong capacity to govern are severe: Governmental ineffectiveness leads to political instability and economic stagnation, which in turn usually punish the governing elite by removal from power.

B. Strategies of Modernization

It has become increasingly apparent to modernizing elites in countries such as Brazil that decades of in-

decisive movement can only be overcome through a comprehensive strategy for the development and use of the resources and power in their societies. Moreover, they realize that only by consciously translating their own values and beliefs into policies and actions which together form a coherent strategy can they hope to make over their societies to conform to their own special interests. In essence, then, a strategy for modernizing provides a framework or plan within which difficult choices can be made about how and where to concentrate scarce resources, who shall pay in the short run and who shall benefit, and how to motivate (by incentive or threat) the support from the population generally that will be essential for rapid and sustained improvement.

The choice of strategy is usually heavily conditioned by such basic factors as the profile of human and material resources, the existing level of development, the traditional structures and style of internal politics, and the current network of external relations. But the single most important influence in most cases is the priorities and values of the dominant elite.* If, for example, a revolutionary elite comes to power it will often choose a modernization strategy shaped by its revolutionary beliefs in virtual disregard of the other factors which normally influence the course of a country's development.

The Allende regime in Chile, Cuba since the early 1960s, and Peru under its military rulers are all examples of countries which have attempted to speed modernization through dramatic changes in the distribution of political and economic power and by a restructuring of foreign ties. Such discontinuities place an enormous strain on a modernizing regime's ability to maintain control of its situation. In contrast, less radical strategies, although they sometimes fail to at-

*The dominant elite refers to that group which controls the essential machinery of government for making and carrying out social, economic, and political policy. Increasingly, at least in Latin America, the composition of dominant elites is changing as new coalitions come to power, often by extra-legal means. While the landed aristocracy, older commercial groups, and newer industrial interests retain considerable influence in most of these new regimes, the actual reins of power are more often now controlled by military officers closely allied with high level technocrats, as in Brazil, Chile, and Peru. In those countries where there is a longer history of succession through peaceful political process, as in Venezuela, Colombia and Mexico, the dominant elite usually consists of the top leadership of the controlling political party and the leading representatives of those industrial and commercial interests most important to the economy.

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tack major obstacles to rapid modernization (such as unproductive rural landholding patterns), usually are less crisis-ridden precisely because they are in greater harmony with underlying political and economic patterns. Even those regimes which wish to base modernization to a large extent on traditional values, however, often must institute far-reaching changes to achieve their ends. The Brazilian military, for example, though it stresses Brazil's heritage as a Western, Christian nation, has found it necessary sharply to limit the influence of the country's traditional political classes in its drive to achieve national greatness.

C. The Hard Decisions

Whatever the choice of strategy, the politics of modernization involve both the stimulation of change and the management of its consequences. It is on the occasions when these two often contradictory requirements intersect that most of the basic problems of modernization arise. The danger for a modernizing elite is that either it will stimulate so much change that the political and economic regulating mechanisms of the society will be overwhelmed, or it will attempt to regulate and control change so tightly that innovation and, eventually, the desired kinds of change will be stifled.

Another major problem is that the various parts of a strategy often tend to work at cross purposes. Frequently, for instance, internal constraints arising from the strength of opposing power contenders make it extremely difficult for a modernizing elite to pursue the strategy which seems most compatible with objective economic conditions or its own value preferences. A recurring example is the political obstacles to instituting a long-term austerity program, even when one is needed to break bottlenecks in financing investments or vital imports. This has happened repeatedly in Brazil and Argentina. Similarly, an elite may be hampered in doing what it wants to do by the web of external political and economic relations it has inherited. Both Castro in Cuba and Allende in Chile ran into this problem in the form of an inherited economic dependence on the US. In all these cases, constructing a strategy involves an extremely complicated process of balancing and trading off, of attempting to make political, economic, and social policy decisions that are congruent with each other and which do not themselves create further obstacles to modernization.

Whatever the particular problems in a society, several basic and interlocking dilemmas commonly occur. These might be defined in terms of key trade-offs:

Present Consumption vs. Future Growth. The basic question is how much of today's wealth should be consumed and how much should be invested to accelerate the production of wealth for the future. This key decision usually involves a severe test of the political resolve of the ruling group, since the issue of who will make the sacrifices in consumption and how severe they will be has a direct effect on the level and intensity of demands made on the political structures of the society. Conversely, a failure to invest enough to stimulate economic growth will also produce political tensions as competition for benefits increases at a greater rate than resources expands.

Economic Elitism vs. Economic Equality. A closely related issue is how wealth should be distributed. The choices range from, at one extreme, a drastic redistribution of income in order to achieve a leveling effect to, at the other, a greater concentration of wealth in the hands of those sectors which the modernizing elite believes will be most likely to invest their surplus wealth in ways which spur future growth. Either choice can produce political stress. Redistribution creates resistance from those sectors from which wealth is being extracted and may overtax an economy's productive capacity because of the sudden surge of consumer demand redistribution usually creates. Greater concentration of wealth can exacerbate mass discontent.*

Political Participation vs. Political Control. Sustained economic growth usually requires an accelerating pace of popular economic and social participation in the "modernized" sectors of the society. For example, in order to create an internal market that can stimulate the pace of industrialization by absorbing more goods, more people must be brought into the money economy. In addition, there must be a steady increase in

*The contrast between Chile under President Allende (1970-73) and Brazil under its military government during the same period perhaps illustrates the extremes. Allende emphasized a rapid redistribution of wealth in favor of the poor, trusting that economic growth would somehow be sustained. Brazil continued its high priority to economic growth, and the share of the wealth going to the poor shrank. The Brazilian military were of course attempting at the same time to strengthen the position of the entrepreneurial classes, one of their main civilian allies; Allende, on his part, was attempting to destroy the political and economic power of the same groups.

educated manpower and occupational mobility. On the administrative side, feedback mechanisms must be developed so that the government can know how effectively its policies are working. The dilemma for an elite at this stage of modernization is how to accelerate the economic and social participation of a population without simultaneously stimulating political activity to the point that the ability of the political system to make decisions about the allocation of opportunities and benefits breaks down.*

D. Requirements for Effectiveness

The ability to deal effectively with the obstacles to and stresses of modernization depends essentially on a governing elite's success in developing a set of institutional capacities to handle change. Three types of capacities are needed. The first involves strengthening existing institutions (such as the educational system) or creating new ones (such as new planning organizations) to bring about changes that the regime wants. The second consists of new capabilities to block or modify undesired change, such as disruptive political activity by forces hostile to the regime and its modernization strategy. Thirdly, the capacity must be developed to adapt policies to unavoidable changes, such as sharp movements in the terms of trade, which come usually from the international environment.

More specifically, an improved institutional capacity can contribute to strategy effectiveness by providing, among other things, a high degree of policy continuity and sustained economic expansion. Policy continuity enhances the ability of those involved in the tasks of modernization to cooperate with each other. The very predictability of policy helps to stimulate cooperation by key economic groups—even if grudgingly by those who are forced to make sacrifices

*The imbalance between the economic, social and political activation of Argentine labor and the capacity of the country's political system to handle labor's demands has contributed to the impasse that has existed in Argentine politics since the overthrow of Juan Peron in 1955. Labor, grown prematurely strong under Peron's tutelage, has successfully resisted every effort made to retrench consumption by restricting wage increases. It has also hamstrung all attempts to pump more money into agriculture by permitting wheat and beef prices to rise significantly. At the same time, other power contenders, such as the military and landed rural interests, have remained strong enough to stymie the development of a modernizing elite, possibly based on a coalition of urban labor and nationalist-minded industrialists, who could re-invigorate the economy by a strategy based on rapid growth of the internal market.

when they see they have little other choice. Success in the economic realm helps to establish legitimacy for the regime and its strategy, as well as to provide rewards for cooperative groups, and aids in lowering the level of strife caused by competition for scarce resources.

In sum, while not a guarantee for attaining far-reaching national goals, a coherent and comprehensive modernization strategy is almost always an essential prerequisite. And while a well-developed institutional capacity to implement hard decisions also is no guarantee of effectiveness, even the best thought-out strategy would sooner or later founder without it.

III. THE POLITICS OF MODERNIZATION IN BRAZIL

A. The Quest for *Grandeza*

The modernization of Brazil is a study of both continuity and change. The changes have been vast as Brazil has evolved from a predominantly agricultural society with a highly decentralized political system to an urbanized society with a large industrial sector and a strongly centralized, authoritarian system of government. At the same time, certain common themes and traits run through Brazilian history, influencing the modern era as much as the past. One of the most persistent themes has been that it is Brazil's destiny to become a great and powerful nation. While the specific embodiment of what it means to be great and how to reach this state has changed somewhat with the successive rulers and types of political systems the country has experienced since its independence in 1822, the desire for *grandeza* itself has not.

Particularly since the end of World War II, the central driving force in the Brazilian vision of development has been that rapid economic growth would lead to major power status by the end of this century. The current military version of this passion for greatness is cloaked in raiments of anti-communism, anti-corruption, and Christianity. But the notion that status as a world power is to be achieved primarily through large-scale industrialization remains the centerpiece of the regime's strategy of modernization, as it has for every government over the last 30 years.

In great part, the problems which have affected the rhythm and nature of development, such as inflation and a dearth of investment capital and foreign exchange, have been similar for each successive

government. These constraints on growth can generally be traced externally to Brazil's subordinate role in the international political and economic system as an exporter of primary products and internally to the social, economic and political dislocations within a society that accompany modernizing change. The responses of the various regimes to these problems have been different, however, and have led to different degrees of success in surmounting the obstacles to development.

In order to highlight the variations in strategy with which Brazilian regimes have approached the problems of modernization, this section will consider how the administrations of Juscelino Kubitschek and João Goulart handled questions of development. Their strategies will then be contrasted with that of the military regime which has governed the country since 1964.

B. Kubitschek: The Great Improviser

Juscelino Kubitschek's strategy was a masterpiece of improvisation.* He sought to achieve economic expansion through rapid industrial growth and to use the fruits of success to generate political support by distributing them widely to all influential and vocal sectors. Superficially, he enjoyed remarkable success. During his six-year term (1956-61) industrial output grew at a rate of more than ten percent and GNP by some seven percent per annum. He left office an extremely popular politician, but his inadequately financed forced-growth policy triggered political and economic tensions which eventually overwhelmed his civilian successors.

Kubitschek sought to force "fifty years' growth in five" through government-directed stimulation of the economy, primarily by the application of as much capital as could be obtained directly from the federal budget, by encouragement of generous bank credits, by foreign borrowing and by attracting private foreign investment. Much of the investment went into industrial expansion, but large sums were also spent on the building of a new capital at Brasilia and on non-productive luxury items such as high-cost apartment blocs. Little was done to stimulate export earnings to pay for the imports needed to sustain the new industries or to repay foreign debts. Shortages of investment

*Probably the best source on the economic and political policies of the Kubitschek and Goulart administrations is Thomas E. Skidmore, *Politics in Brazil* (London: Oxford University Press, 1967).

capital and operating funds were met primarily by larger and larger emissions of currency, leading to ever increasing budgetary deficits and higher levels of inflation.

Backed by a booming economy, Kubitschek was able to give full rein to his skills at inter-elite bargaining to create the political support he needed for his policies. The elites Kubitschek most needed support from were the industrialists (especially from São Paulo), the coffee growers, the leading politicians from the two pro-government parties, and the military. As long as rapid growth seemed to be occurring, he was able to win the favor not only of these elites but also of emerging new forces in urban labor and the middle class by creating the illusion that all sectors could gain equally and simultaneously. He exchanged benefits for backing. To cooperative political leaders he gave patronage. To business, he offered easy credit and to labor, generous wage settlements. The middle class was soothed by prospects of an ever advancing standard of living, while intellectuals found comfort in his vaguely nationalist rhetoric promising national greatness through development. Military support was assured by modern equipment, pay raises, and an orthodox, anti-Communist foreign policy.

The costs and contradictions of Kubitschek's modernization strategy began to surface, however, in 1958-59. Plagued by inflationary pressures and a growing foreign exchange bottleneck, Kubitschek proposed a stabilization program to halt the rise in domestic prices and renew foreign investor confidence. The effort failed, however, because he either would not or could not exercise sufficient political clout to insure the necessary economic sacrifices. Kubitschek's improvisational approach to politics proved ineffectual when the bargaining process called for any one sector to accept a temporary loss for the common good.

Lack of success of the anti-inflation program contributed to rising political tensions. The older, established elites and the newer forces created by the modernization process began to see each other as potential rivals for scarce goods. In addition, the conflict between the Kubitschek administration and its foreign creditors was seized by the emerging highly nationalistic left as an opportunity to attack the role of foreign capital in Brazil's development. While the radical perspective was short on alternate suggestions as to where Brazil should turn for investment capital, the ensuing polemic began to destroy the support

Kubitschek's schemes for national development had enjoyed. Opportunist and improviser to the end, however, he managed to hold off the political wolves through skillful bargaining and by exploitation of the rising current of economic nationalism.

C. Goulart: The Would-be Populist

João Goulart, as president of Brazil from 1961 to 1964, was an inauspicious modernizer. He began his term with greatly reduced powers under a parliamentary system and spent most of the first year plotting to regain full authority.* His efforts to overcome growing economic difficulties were half-hearted, and his attempt, in the name of basic "reforms," to mobilize the masses to combat the ever-growing opposition from upper and middle class groups led to his ouster from office by a military coup.

In 1962, while still preoccupied with his campaign to gain full presidential powers, Goulart seemed to commit himself to a moderate development strategy. Faced with related problems of rising inflation at home and declining creditworthiness abroad, he attempted the classical solution of a stabilization program. But he lacked both the personal commitment and the political strength to enforce the necessary unpopular measures (e.g., wage controls, higher taxes).** The statistics for 1963 underscore his abandonment of the effort: an 81 percent increase in the price index, a federal budget one-third in the red, and a near-exhaustion of foreign reserves.

Of necessity, Goulart's approach to politics differed basically from Kubitschek's. Goulart started out widely distrusted in the political, military, and business circles that had generally supported Kubitschek's modernization schemes. The increase in economic and political tensions further discredited Goulart among

*Goulart succeeded to office from the vice-presidency after the sudden resignation, in September 1961, of President Janio Quadros, newly-elected successor to Kubitschek. The establishment of a parliamentary system represented a compromise between the political and military forces committed to a legalistic solution and those who distrusted Goulart because of his populist views and associations. Goulart succeeded in regaining full presidential authority, through a popular referendum, in January 1963.

**This lack of congruence between political reality and economic policy was reflected in Goulart's inability to cut back a pending wage increase for government workers and the military from the 70 percent they demanded to the 40 percent that would have been accepted by Brazil's foreign creditors as a sign of good faith and reason to bolster the economy with new loans and grants.

the established elites, particularly as he began tentative initiatives to arouse mass popular support among workers, students and peasants to overcome elite opposition. The more he pursued his populist strategy—national development through far-reaching economic and political "reforms," including the curbing of foreign economic interests within Brazil—the more he cut himself off from the support of moderates as well as conservatives. His rhetoric in calling for these programs also scared off sources of badly needed foreign aid, credits, and investment.

By 1964, he had no place to turn for political support but the radical left. His radical advisors convinced him to attempt to mobilize mass support through rallies and strikes, in order to force through his program of basic "reforms." He was led to believe that he could count on the backing not only of such new forces as students, organized labor, peasant groups, and progressive priests, but also of nationalistic military leaders.

The events of 1 April 1964, when the military forced Goulart from office virtually without bloodshed, showed how badly he and his radical allies had misjudged their strength. While the economic and social changes of the post-1945 period had indeed increased the political awareness of new groups, the degree of change had not yet seriously weakened the power of the established elites, especially the military. In short, Goulart's modernization strategy had proved incongruent with the severity of the country's economic woes, with the high degree of Brazilian dependence on foreign economic support, and with the reality of domestic political power distribution.

D. The Military as Modernizers: The Pragmatic Managers

Since Goulart's overthrow in 1964 Brazil has been governed by its highest ranking military officers in coalition with a collection of junior partners, including technocrats and professional administrators, industrial entrepreneurs and managers, and politicians formerly attached to the major opposition party and now grouped into a pro-government party. All four military-dominated governments since 1964—beginning with General Castello Branco, followed by Generals Costa e Silva in 1967, Medici in 1969 and Geisel in 1974—have continued the commitment of Kubitschek and Goulart to economic growth as the bedrock for attaining great power status. The

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military's strategy for pursuing this goal has been significantly different, however, both in the means used to achieve rapid growth and in the political formula devised to reduce the instability inherited from the Goulart regime and to create support for new modernization policies.

The Goulart government left two basic problems which had to be solved by the Castello Branco administration if the process of modernization was to regain momentum. First, new political forces had been mobilized which were being encouraged to make demands for resources in a direct, threatening way with which existing Brazilian political institutions could not easily cope. Secondly, the growth of the economy had come to a halt primarily because of an inability to find non-inflationary means for financing imports and new investment. These problems were related. On the one hand, the failure of the economy to grow meant there were no new resources with which to meet the demands of the new political forces. At the same time the political uncertainty created by the struggle between old and new power contenders inhibited new investment from domestic and foreign sources that might have re-initiated growth.

The strategy chosen by the Castello Branco government to solve these problems had both a political and an economic dimension and a short-term and long-term time frame. Politically, the choice was made immediately to reduce the level of demand on available resources by completely suppressing most of the new political forces while also severely circumscribing the ability of the older forces to influence policy.* This was accomplished by banning numerous organizations, such as the national student union and various recently organized labor and peasant organizations, which had been vehicles for the articulation of the new demands, and by imprisoning or driving underground their leaders. The power of the older political forces was cut back organizationally by emasculating the authority of the congress and all political parties—and even more importantly, by con-

stricting the system of inter-personal bargaining for favors through cancellation of the political rights of many influential civilian leaders and by replacing many politically responsive government officials with apolitical technocrats. The longer-term solution, chosen by the military to reduce what appeared to be an excessively high level of demand on the society's resources was to replace the existing representative democratic institutional framework by an authoritarian system. This gave the government predominant control over the ability of groups to organize, the channels through which demands could be levied, and the political infrastructure through which benefits are delivered.

The first order of economic business in the government's strategy was to bring inflation under control and to ease the balance-of-payments crisis. The tactics used here were largely those which had been tried by both Kubitschek and Goulart with only limited success because, unlike the military, they lacked the political strength to resist the opposition of special interest groups. Public and private credit was slashed, real wages were reduced, the foreign debt was re-negotiated, and the US Government was successfully appealed to for immediate large grants and loans. After the short-term crisis had been handled, the problem was how to re-stimulate growth without setting into motion contradictory tendencies, such as renewed rapid inflation, which would undercut the growth priority. This part of the strategy contained several new elements. While great emphasis was placed on increasing the flow of public and private foreign investment into Brazilian industry, following Kubitschek's precedent, immense new effort was concentrated on expanding foreign sales of industrial goods to eliminate the foreign exchange bottleneck that had plagued both Kubitschek and Goulart. Another new departure was the creation of fiscal devices, such as automatic monetary correction (commonly called "indexing"),* to reduce the distorting effects of that portion of inflation which could not be eliminated. Finally, a whole set of new capabilities was created by the government to enable it to manage the economy either by direct intervention or indirectly

*The tactics used by the Castello Branco regime to drastically lower the level of political participation immediately after the 1964 coup are outlined in an unpublished Ph.D. dissertation by Bruce R. Drury, *Creating Support for an Authoritarian Regime: The Case of Brazil, 1964-1970*, (University of Florida, 1973), pp. 149-237. The political and economic policies of the military and their inter-relationship as a strategy are discussed by Thomas E. Skidmore, "Politics and Economic Policy Making in Authoritarian Brazil, 1937-71" in *Authoritarian Brazil*, ed. Alfred Stepan (New Haven, Conn.: Yale University Press, 1973), pp. 3-46.

*This is the technique of adjusting the nominal value of a wide range of financial assets and transactions, such as taxes, contracts, and savings accounts, to a so-called objective price index. The value of a financial transaction or asset is automatically readjusted over time so that it does not lose "real" value, thus reducing the need to anticipate the effects of inflation when the transaction is originally negotiated.

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by use of threat or incentive to the private sector. In this category fall the expansion and improvement of the educational and financial systems and the reform of the federal bureaucracy to increase productivity and efficiency.

1. *Origins of the Military's Modernizing Strategy*

Three major principles underlie the modernization strategy of the military leaders who have dominated the Brazilian Government since 1964. While the specific policies generated from these principles have varied somewhat with changing domestic and world situations, there has been remarkable consensus on the principles themselves and the values they express:

- a. the absolute priority given to economic growth as the driving force in the development of the Brazilian state and society;
- b. the concurrent high attention given to national security, initially expressed in a pro-US, strongly anti-Communist international stance and a low level of tolerance for domestic discord; and,
- c. strong aversion to mass action, high mobilization politics.

The values reflected in this common approach to modernization have been heavily influenced by the service experiences of a generation of Brazilian military leaders during and after World War II. Many of the key figures—presidents, cabinet officers, advisors, and top troop commanders—served with the Brazilian Expeditionary Force that fought alongside US troops in Italy, and they continued this close association through training in the US and through US military missions in Brazil in the postwar period.*

The effect of close and prolonged contact between the two military establishments seems to have been profound. It exposed Brazilian officers to several values which subsequently were reflected in their decisions about how best to modernize Brazil: the utility of international cooperation, especially with the US; the need for organization, industrialization and the acquisition of technology as the basis for national

development; the benefits of private enterprise; and the dangers that stem from a highly emotional nationalism as compared with an objective appraisal of national strengths and weaknesses. These, in short, were the attitudes thought by the Brazilians to underlie US military superiority and national *grandeza* and therefore worth emulating as Brazil sought to build its own national strength.

One major result of the wartime association with the US was the founding of the Brazilian Superior War College (*Escola Superior de Guerra*—ESG). Several senior army officers returned from Italy dissatisfied with the military's ability to develop a national security doctrine and a competent body of personnel to execute it and put Brazil on the road to international greatness. They founded the ESG in 1949 to undertake these tasks. A US advisory mission, which remained in Brazil until 1960, helped organize the school, which was patterned after a combination of the US National War College and the Industrial College of the Armed Forces.

The influence of the ESG on Brazilian policymakers has been striking. Of a core of ten generals most influential in the Castello Branco regime, nine of them attended the ESG and seven of those at some point in their careers served on the permanent teaching and research staff. Of the four military presidents since 1964, Castello Branco and Geisel both served as ESG staff members at one time or another. General Golbery, who was probably Castello Branco's closest advisor and has returned to prominence as chief political advisor to President Geisel, is looked upon as the ESG's major political thinker and the one who was most directly responsible for the national security doctrine developed at the school during the late 1950s and early 1960s.

Brazil, according to this doctrine, is destined to become a major world power and a leader among the Christian, anti-Communist states of the West, possibly as early as the end of this century. The unique element in the military elaboration of this view was the linkage that the ESG saw between the requisites for Brazilian development towards great power status and the need for a major, long-term political role for the armed forces. Prior to 1964 it was generally accepted by almost all important political groups that the military could intervene in the Brazilian political system at moments of political crisis as a moderator or arbiter. Its function was to take charge temporarily, to maintain or restore order, to mediate among competing civilian

*The most complete discussion of the origins of the post-1964 military leaders and the influence of their background on their approach to modernization can be found in Alfred Stepan, *The Military in Politics: Changing Patterns in Brazil* (Princeton: Princeton University Press, 1971), esp. pp. 239-248. The subject also receives attention by Ronald M. Schnieder, *The Political System of Brazil: Emergence of a "Modernizing" Authoritarian Regime, 1964-1970* (New York: Columbia University Press, 1971), pp. 242-253.



Brazilian Presidential political adviser General Golbery do Couto e Silva

CPYRGHT

"The concept of National Security, understood in its broadest and most active sense, extends . . . over the entire political state, conditioning, if not fostering or determining, all planning in the economic, social and political sectors, not to speak of strictly military planning,

both in war and peace." (Aspectos Geopolíticos do Brasil, 1957) CPYRGHT

elites, and then to withdraw from the political arena in favor of one of the elites. Considerable legitimacy was attached to this function since it followed directly from the constitutional authority granted to the emperor, until the fall of the monarchy in 1889, to intervene by deciding which regional elite should exercise national power at times of institutional deadlock or political conflict.

By 1964 two things had occurred which changed the military's view of its legitimate political role. First, the military had come to believe that insurgency was the major threat to national security with which the armed forces of less developed nations would have to deal. In

Latin America, the threat was seen explicitly in the example provided by Fidel Castro. Secondly, the military perceived the Brazilian political and economic system as gradually breaking down, particularly during the last two years under Goulart. The conclusion they drew was that the existing democratic political institutions and the civilian politicians the institutions produced were not only incompetent to find acceptable solutions to national problems but that they actually helped create the political and economic chaos that breeds insurgency.

These perceptions resulted in the ESG doctrine that national security can only be maintained by national development and that it was incumbent upon the military to involve itself in every sector of economic and political life to make sure that development would take place. National security, the traditional concern of the military, came to mean the maximizing of economic output in order to enhance national power in the external world as well as eventually to reduce the economic misery of the lower classes, thus eliminating the breeding ground for insurgency. A high value was also placed on reducing internal disharmony and political conflict generally in order that full national attention could be paid to the number one priority of economic growth. In sum, the experience of the Kubitschek and especially the Goulart years had led the great majority of military officers to conclude that normal politicking led almost inevitably to political instability and economic stagnation and was a luxury Brazil could not afford.*

In addition to the central belief that national security and national development are inseparable, a number of other important values influenced the military's approach to modernization. Among them are the importance of hierarchical patterns of authority, efficiency in managing resources, the usefulness of global planning, and the value of technical solutions to problems. Each of these values, which are directly relevant to success in a military career, helped shape the modernization strategy adopted by the military when it came to power.

*An earlier OPR study, *Peru's Stalled Revolution: Implications and Prospects* (No. 302, January 1975, SECRET) addresses another instance in which a military establishment perceived that national security required national development, which in turn required prolonged military rule. In Peru, however, the military leaders, for a variety of reasons, pursued modernization with a far more radical strategy, emphasizing a shift in power and resources from the elite to the masses.

2. *An Analysis of Results: Growth, Structural Change and Congruency*

The usual point of departure for reviewing the achievements of Brazil's military governments is economic performance. After an initial three-year period of painful readjustment, the record for the 1968-1974 period shows robust growth: GNP expanded by about 10 percent and industrial output by about 13 percent per year. The rate of inflation, meanwhile, declined from over 90 percent in 1964 to under 20 percent for a time in the early 1970s. (See chart on page 20.)

These are impressive statistics, but even more important to Brazil's long-range economic health are the major structural changes brought about by the military regime. These changes have made the performance of the economy more consistent and predictable, as well as more vigorous.

More extensive and effective instruments of control have enabled the military regime to direct fiscal, monetary, wage, investment, and educational policies much more completely from the center than ever before. In some cases old bureaucratic organizations were empowered with new capabilities, such as a vastly expanded and strengthened tax collection authority. Similarly, there has been an impressive enlargement and realignment of the educational system, with emphasis on the production of trained manpower.*

Entirely new organizations have also been established with important new powers, such as the Industrial Development Commission and the National Monetary Council. Innovative financial institutions have facilitated the accumulation of investment funds and channeled them to priority growth sectors such as the automotive, chemical, and iron and steel industries. A highly successful set of new tax incentives has fostered the growth and diversification of exports.

*In the educational sphere the military has increased total expenditures (federal, state, and local) from an average of 2.2 percent of GNP in 1964 to 3.8 percent since 1969. This increase in funds is reflected not only in a jump from 27.2 percent to 41.4 percent of the population between 5 and 24 years of age actually enrolled in school but also in a deliberate change in the educational pyramid to turn out more professionally trained manpower for the modernized sector. Between 1964 and 1972 the number of college graduates increased from 11 to 45 of every 1,000 pupils entering first grade. Massive increases in vocational and literacy training also occurred. These changes in Brazil's educational structure are described in Mario Henrique Simonsen, "The Educational Effort" in Simonsen and Roberto de Oliveira Campos, *The New Brazilian Economy* (Rio de Janeiro: Crown, Editores Internacionais, 1974), pp. 117-131.

In short, the government has a much expanded capability to manage and direct the economy, enabling more effective employment of the country's considerable resources, even in the face of changing circumstances and unexpected problems such as the recent jump in the cost of petroleum imports. To ease the pressure on the balance of payments caused largely by higher oil prices, for example, the government is slowing down less essential investments and imports while maintaining rapid expansion in areas which will permanently cut imports (e.g., steel and wheat) or eventually expand exports (e.g., bauxite and wood pulp products).*

The achievements of the military regime in the political sphere are more difficult to assess. Certainly it has succeeded in its primary goal—suppressing the level of political demand, from old and as well as new elements, in order to establish and sustain the national priority for economic growth. More broadly, the regime has been able to gain acquiescence for its modernization policies by creating support where possible and suppressing opposition where it deemed necessary.

The costs of this achievement have been high in terms of the loss of political and, to a lesser extent, civil liberties compared to the pre-1964 era. With few exceptions, however, political repression has not resulted in major disturbances on the part of the elements most directly affected (politicians, students, etc.). Moreover, there has been little evidence so far of any substantial costs in terms of popular alienation; i.e., the degree of social and economic cooperation required from the populace at large to sustain the modernization effort has been forthcoming.

In part the apparent low costs to date of the regime's political policies reflect the effectiveness of its repressive mechanism. But Brazil is a huge country, both in size and population. Other factors would also appear to be at work. These can be subsumed under the rubric of *congruency*. Indeed, the effectiveness of the military's approach to politics reflects its congruency *not only with its economic policies but also with the realities of political power distribution and with the underlying social and political culture.*

*Two sources on the military's expanded range of control are Thomas E. Skidmore, "Politics and Economic Policy Making in Authoritarian Brazil, 1937-71," *op. cit.* and Robert T. Daland, "The Paradox of Planning" in H. Jon Rose, Baum and William G. Tyler, eds., *Contemporary Brazil: Issues in Economic and Political Development* (New York: Praeger, 1972).

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The Brazilian Super Technocrats



Minister of Mines and Energy Shigeaki Ueki



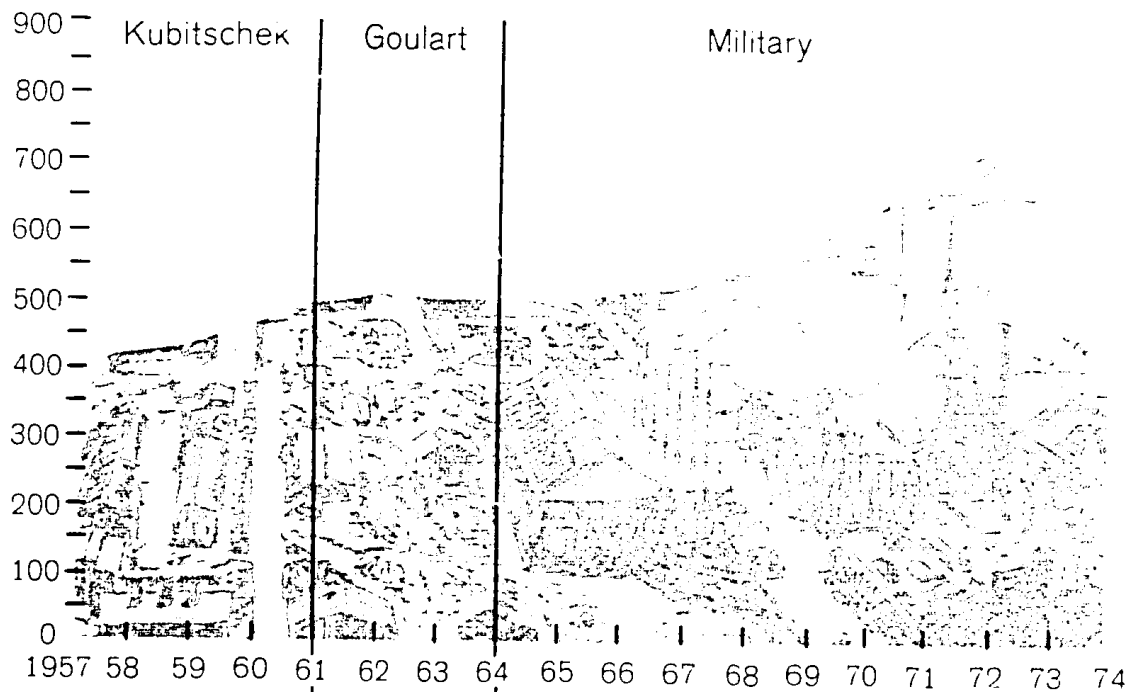
Minister-Chief, Planning Secretariat of the Presidency
Joao Paulo dos Reis Velloso



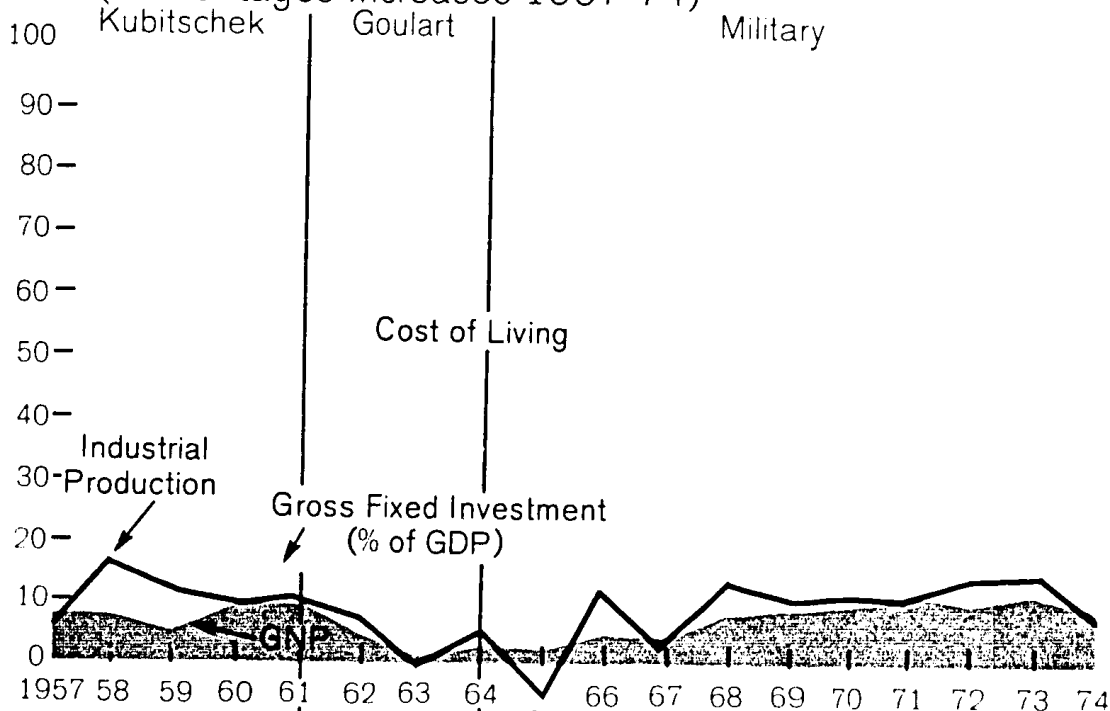
Minister of Finance Mario Simonsen

Brazil: Per Capita GDP

(in 1974 Dollars)



Selected Economic Indicators (Percentages Increases 1957-74)



25X1X8

In these respects it differs particularly from the strategy of Goulart, which was increasingly out-of-phase with internal power realities as he attempted to politicize labor, students, peasants, and other mass elements and use them against the established power contenders. Military leaders, in contrast, have largely ignored or repressed demands from these embryonic popular forces and turned instead for what political support they need to the more powerful industrial, business, and agricultural interests. They have also enhanced the power (and, hence, commitment to the *status quo*) of an increasingly large sector of technocrats and civil servants. This sector now provides a sizeable amount of passive support for regime policies. As the government bureaucracy assumes an increasingly important role as an adviser and implementer of policy, this sector probably can be counted upon to provide active political support should the stability of the military regime be threatened.

Underlying the congruence between political strategy and real power distribution is another close fit between strategy and political culture. Many commentators have noted Brazilian patterns of authority are basically patronal and hierarchical rather than democratic and pluralist.* The strategies of Kubitschek and Goulart relied importantly on competitive, democratic processes and structures which were overlaid on this authoritarian political culture and which increasingly clashed with the culture as emerging popular forces disrupted traditional patronage relationships. The return to more familiar authoritarian political patterns by the military permitted the re-emergence of patron-client relations, interelite bargaining, and other political forms and in-

*The most influential social institution throughout Brazilian history has been the patriarchal clan. Traditionally, authority in the vertical dimension of the clan, between the patriarch and his dependent household, was extremely hierarchical but was tempered by a feeling of reciprocal responsibility expressed in a patron-client relationship. A horizontal dimension to the authority pattern also existed among heads of households within the clan. Behavior along this dimension involved personalistic bargaining and reflected, most importantly, the perception of shared interests. This patron-client authority pattern was reflected in politics at the regional level, where local patrons bargained among themselves for power, and at the national level, where state clans grouped themselves in loose political parties over which the emperor and, later, Getulio Vargas exercised paternalistic power. An excellent source on the political culture of Brazil is Philippe C. Schmitter, *Interest Conflict and Political Change in Brazil* (Stanford: Stanford University Press, 1971), esp. Chapter 3.

stitutions in greater harmony with the underlying culture.

The expansion of the federal bureaucracy—in size, mission, and effectiveness—has itself been a key ingredient in the regime's achievement of popular acceptance and, in some cases, active support. A case can be made that the populace, mass as well as elite groups, has traditionally looked to the Brazilian bureaucracy as a more reliable (and more highly valued) source of benefits and channel for grievances than the federal legislature and elected officials generally. This will be discussed more fully on p. 26 below.

The relatively low level of political intensity in Brazil has also facilitated the workings of an authoritarian system. This political passivity, which has varied historical and cultural roots, expresses itself in several useful ways for a modernizing regime. It leads to a high level of tolerance for imperfect regime performance, a tendency not to translate personal aspirations into organized political demands, and a remarkably easy capacity for co-optation of political opposition groups by those in power. The result of this general passivity is a demand level which is less costly in terms of institutional resources to satisfy, divert or suppress than in many other developing societies.

Another area of congruence worth noting is that between the military's modernization strategy and its foreign policy. Both Kubitschek and Goulart ran into difficulty in this area; they became overdependent on importation of foreign capital, and then, reacting to nationalist pressures aroused by that overdependence, they alienated Brazil's traditional sources of support without finding new ones. In contrast the military's foreign economic policies, emphasizing the development of export markets for manufactures as well as commodities, is highly congruent with a wide range of other government objectives. Increased export earnings have reduced dependence on grants and loans from foreign governments and international institutions and made Brazil a more attractive investment risk for foreign private capital. One political payoff of this economic strategy is that it tends to lessen the sense of immediate vulnerability to foreign pressures. That is, the perceived threat to independence from a foreign government or international institution insisting, for example, that Brazil adopt an austerity program in order to re-establish creditworthiness is much more visible than that presented by the penetration of foreign private capital into the local economy.

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3. Key Problem Areas

Sustained modernization even in a country as richly endowed as Brazil is a complicated, uneven process. External events create obstacles which must be overcome. The act of modernizing itself stimulates new internal stresses which seriously challenge the movement toward the creation of a modern society. For a country like Brazil, which has been modernizing very rapidly in terms of both economic growth and expansion of the government's capability to stimulate and control change, the major problems that arise stem mostly from the inherent tension between short-term and long-term goals. Particularly in the political arena those policies which produce desirable solutions for immediate problems may eventually lead to instability and stagnation if they are not modified as conditions change. Some of these areas in which policy must continue to evolve if major obstacles to the modernization goals of the military are not to develop involve questions of financing new growth, of income redistribution, and of determining the nature and rate of increase of political participation permitted civilian elite groups and the public generally.

The central long-term economic problem is how best to finance the new investments in industry and infrastructure that must be made if the economy is to continue to grow at a rapid pace. In many respects Kubitschek and Goulart were faced with the same problem. Kubitschek solved it in the short term but by means which led directly to unacceptable rates of inflation. Goulart never did solve the problem. The military's answer to date has been a combination of attracting large amounts of foreign capital plus a dramatic expansion of export earnings to pay for the resulting external indebtedness. If rapid growth is to continue, however, the rate of internal savings must be increased in order to lessen Brazil's dependence on foreign capital, and export earnings must continue to expand to pay for new imports and to cover mounting interest and profit remittance obligations. The required performance in both areas will likely prove difficult. Expansion of domestic savings through postponement of consumption may be increasingly costly in political terms since, as the process of modernization succeeds, it generally stimulates consumer expectations. And export sales are likely to depend in significant measure on factors in the world economy over which the Brazilian government has no control.

The problem of how best to finance growth is closely linked to that of income redistribution. Up to now the

internal capital for investment has been generated largely from business profits. A key government policy has been to enhance profits and encourage investment by restraining wages and by offering fiscal incentives for putting profits into growth. A consequence of this strategy has been to create even larger inequalities in the distribution of income among social classes than existed before the military took over (see table on p. 23). The various military governments have consistently stated that greater economic equality is an eventual goal, and there has been some emphasis on indirect redistribution through the provision of new educational and social welfare benefits. But the main thrust of the military's economic policies has clearly been to postpone income redistribution on the grounds that it is incompatible with rapid economic growth.

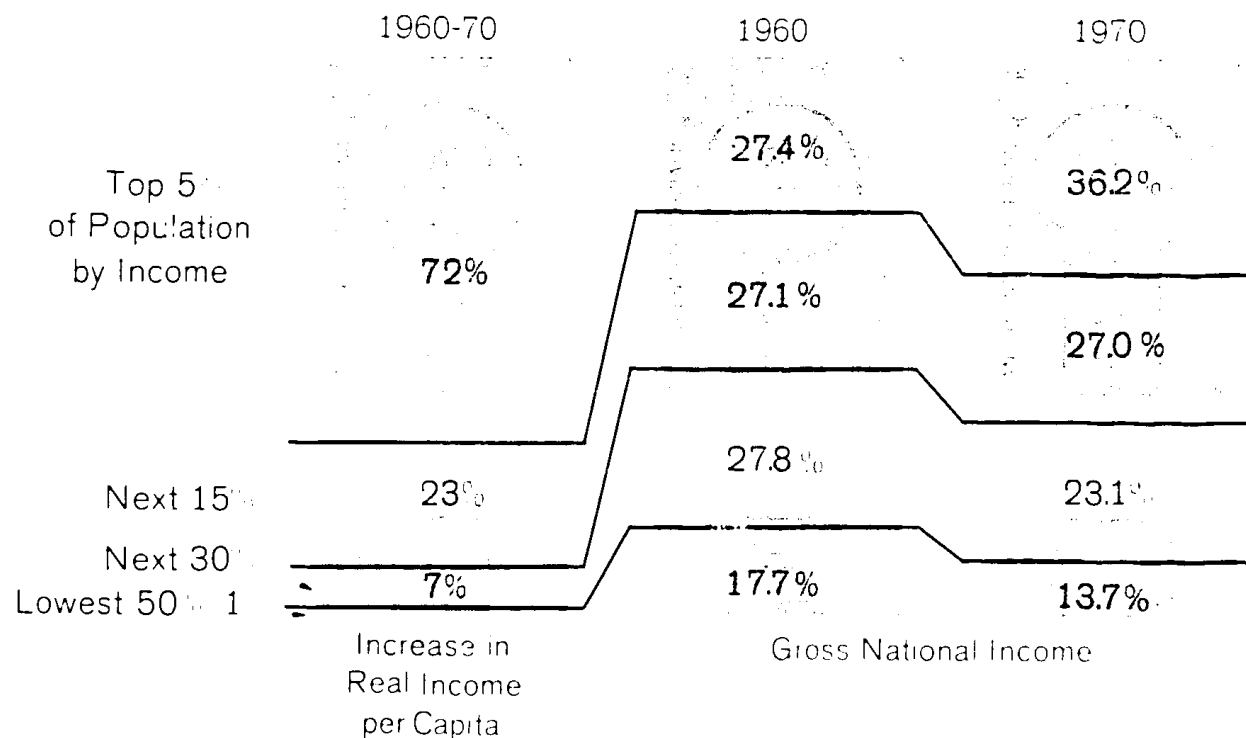
A debate is now underway regarding the political and economic wisdom of continuing to delay an attack on income inequality. On the economic side the debate concerns whether or not greater amounts of domestic investment capital could be produced and income discrepancies reduced through more progressive tax policies. Some observers feel that, although under current policies the private sector has supplied sufficient investment capital to support industrial growth, this cannot be expected to continue. They argue that the highly capital-intensive phase of industrial expansion that Brazil is now entering demands a higher level of internal savings. Yet a voluntary drop in upper class consumption to produce the new savings is unlikely. Instead, the argument is, the necessary additional investment capital should come from increased public savings produced by higher taxation of the wealthy.

Attempting to increase investment and reduce income inequality through higher taxes on upper income groups could produce something of a dilemma for the government, however. Unless very carefully applied, the higher taxes might produce a cut in the private savings of the wealthy rather than in their consumption. Thus the increase in public savings might be more than offset by a decrease in private funds available for investment.

On the political side the debate is over how long severe income inequality can continue before feelings of relative deprivation generate such high levels of discontent that political instability results. Theoretically, at least, it might be possible to retain indefinitely policies that result in ever higher levels of income con-

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Change in Income Distribution 1960-70 by Social Class



The data in this chart shows a significant increase in the income of the top 5% of the population, while the income of the bottom 50% of the population decreased. This indicates a concentration of income in the hands of a small group of people, which is a sign of economic inequality. The chart also shows that the income of the middle classes (the next 15% and 30%) remained relatively stable, while the income of the bottom 50% decreased. This suggests that the benefits of economic growth were not shared equally by all segments of the population.

centration. But this would require the creation of an ever expanding repressive apparatus large enough to suppress growing political awareness and discontent. Such policies, however, particularly in a country as large and complex as Brazil, would probably be increasingly at cross purposes with the modernization process, which almost certainly will require an expansion of the size of the aware, involved public.

Moreover, Brazil already has an image problem abroad because of the degree of repression, dramatized by well-documented cases of arbitrary arrest and torture, that exists in the system. The antipathy that exists in the Western democracies towards the repressive aspects of the Brazilian regime has not, to date, seriously affected Brazil's international relations. If, however, that level of repression increases or becomes more visible, Brazil might find it more difficult to obtain foreign public support for its development efforts. This would become particularly critical if, because of a

change in economic climate, sources of private foreign capital dried up and Brazil became more dependent on loans and grants from foreign governments for the development capital it must have.

The regime's long-term economic problems thus reinforce its most apparent political problem: how much and what kind of political participation to permit. The military's initial decision to reduce political participation in order to enhance governmental effectiveness was implemented with relative ease. And, since the success of its modernization strategy up to now can be plausibly attributed in large part to the suppression of demands that the political system could not handle, the temptation to continue tight restrictions on political participation is undoubtedly great. Yet, as previously indicated, some of the most crucial aspects of modernization depend on encouraging certain kinds of change, such as in levels of education, employment skills, organizing abilities and social

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mobility, which lead almost inevitably to greater political awareness and pressure for participation.

The problem for the Brazilian government in permitting a higher level of direct public involvement in the political process is twofold. At the level of the military as an institution, there is the risk of fanning disunity on a sensitive issue. At the level of the society, the problem is how to permit change in the political sector that does not undermine the governing elite's ability to control the pace of change overall, both so that the modernization process is not derailed and, of more immediate concern, so that the elite itself is not threatened with removal from power.

E. Future Prospects for Modernization Under the Military

The future course of modernization in Brazil depends in large measure on the degree of compatibility that can be maintained among the various elements of the strategy now employed by the military. If the elements remain roughly congruous and mutually supporting, then modernization should continue unabated and Brazil stands a good chance of advancing to major power status by the turn of the century. If, on the contrary, because of internal incompatibilities or as a result of lags and dislocations caused by external forces, the various parts of the strategy become seriously out-of-phase, then either economic stagnation or political instability or both will occur and the modernization goal of *grandeza* will be considerably delayed or aborted.

1. The Economic Dimension

A more specific assessment of the future success of the military's approach to modernization, then, involves at least two major judgments. First, can the government's economic policies be successfully adapted to changing circumstances so that neither internal nor external events will set into motion major obstacles to continued rapid growth? Internally, for example, can the government modify its policies to handle the aforementioned investment and income distribution problems as well as such things as normal business cycles or an unexpected poor harvest so as to avoid a loss of investor confidence or debilitating inflationary pressures? Externally, does it have the insight and capacity to change emphasis from one kind of export to another or from one source of foreign capital to another should conditions so dictate?

The chances that current and future governments operating within the present institutional framework

can make the necessary adjustments in economic policy to avoid a halt to growth appear to be good. In contrast with the Kubitschek and Goulart administrations the military modernizers, and in particular the present Geisel regime, have shown numerous strengths in economic planning and execution which indicate a substantial likelihood they can overcome temporary economic dislocations, imbalances and setbacks. They have had, for example, firm enough control over the economy to restrict the growth in imports in the first three quarters of 1975 in order to reduce an inflationary surge felt at the end of 1974. In addition, they have demonstrated that, unlike earlier modernizers, they can adjust their expectations to hard reality so that, for example, a lower growth rate than ideally desired can be accepted and even fostered in the short term if long-term benefit can be anticipated. They have manifested an equal flexibility in foreign economic policy which should stand them in good stead when attempting to cope with changing external obstacles to modernization. One recent example of this kind of pragmatic foreign policy response was the shift to a pro-Arab policy in the Middle East in order to assure oil supplies and open new potential sources of investment capital.

In sum, when these technical and executive capabilities are put together with Brazil's abundant natural resources and manpower, and its already considerable industrial base, prospects are favorable for continued rapid growth over the long term.

2. The Political Dimension

The second crucial judgment involves the future political performance of the Geisel administration and its successors. The basic question here is whether the military will remain united behind a single approach to political development. A collateral question is whether that approach will prove flexible enough to generate sufficient political support to elicit the kind of cooperative behavior essential to higher levels of modernization—especially if some painful economic adjustments are required.

Under the direction of President Geisel and his principal political adviser, General Golbery, the government has undertaken several new initiatives in the last year to stimulate political support. These efforts were directed at expanding direct civilian participation in the political process by holding relatively free legislative elections in November 1974, by easing censorship, and by permitting some revitalization of the national congress and the two authorized political par-

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Brazilian President Ernesto Geisel

"Relaxation (liberalization) should neither be political nor mostly political. . . . In fact, relaxation is the action carried out in the social sector. . . . I reiterate our purpose of achieving political development without any kind of commitment to obsolete formulas which are evidently not suitable for the Brazilian reality." (Speech to nation, 1 August 1975)

ties. When contrasted with the constrictive political policies of the first three military presidents, the results of Geisel's liberalization policy have been striking in terms of the new political activity that has been generated. In the November 1974 elections, to the surprise of most foreign and domestic observers, the officially sanctioned opposition party, the MDB (*Movimento Democrático Brasileiro*), won a large number of the seats at stake, raising its representation to slightly less than half in the Chamber of Deputies and to about one-third in the Senate. The MDB also won control of the legislatures of most of Brazil's largest and most important states.

The immediate reaction to Geisel's liberalization efforts has been mixed. On one side a general expectation has been created, at least among the ranks of professional politicians and in the media, that a still greater degree of political freedom may be in the offing. This has led to the hope among some that Brazil may eventually return to a constitutional system in which the military would give up its arbitrary powers,

the security services would be curbed, and civilians would again dominate the government.

On the other side, expanded civilian involvement in the political process, and especially the unexpected MDB gains, has been interpreted by a relatively small group of conservative military officers as directly threatening to their institutional interests and to their interpretation of the national interest. They object to it both for ideological reasons and, especially in the security services, because they perceive it threatens to bring them under unacceptable scrutiny and control. An even broader spectrum of military officers and industrialists fear that a continuation of the liberalization process now in motion could lead to new MDB gains in municipal and gubernatorial elections scheduled for 1976 and 1978, possibly leading to opposition control of all major political institutions except the Presidency and the federal bureaucracy. They find this prospect unacceptable, believing it could lead to a return to the disruptive partisan politics of the Goulart era and to a reversal of the economic policies that have proved so successful, from their point of view.

Proceeding with new major initiatives to open the political process further would subject Geisel and his moderate advisers to even more intense and heated attacks by military conservatives. At the same time a reimposition by Geisel of recently removed political restrictions would probably call forth a loud protest from the reactivated civilian political sector.

There are recent indications that, given this situation, Geisel will attempt to hold fast to the gains achieved so far in expanded political participation but will delay indefinitely any further major steps in that direction. Instead, he will probably try to divert the momentum towards liberalization away from strictly political channels and into expanded popular social and economic programs and benefits.*

Pursuing such a policy will probably generate its own tensions as the MDB and its allies among the

*This course of action is strongly suggested in a speech Geisel made on August 1, 1975 in which he said, "Relaxation (liberalization) should neither be only political nor mostly political." He then went on to recite what he considered more important liberalization goals: readjustment of the minimum wage to exceed cost-of-living increases, housing and free medicine for the poor, improvement in social security, normalization of food supplies to cities, wider access to higher education, and more sharing of federal revenues with states and cities. Most of these policy goals were previously set forth in the government's 2nd National Development Plan launched in September 1974.

media, students, labor, and the Church press for more freedom and as the conservative military seeks a reimposition of old restrictions. In fact, some observers view very pessimistically the likelihood that any authoritarian regime can successfully liberalize, even to the limited extent that has occurred under Geisel. They tend to believe that any rise in expectations among previously repressed groups creates a situation in which political instability is likely to occur regardless of whether those expectations are frustrated or met. If they are frustrated, then the groups which hoped to gain new political power will react disruptively. If, on the contrary, they are met, then a conservative reaction takes place and severe repression may result.* In either case the process of modernization would be adversely affected either by governmental instability or a breakdown of broadscale societal cooperation.

There are, however, a number of important considerations that would support a more optimistic assessment of the chances for success of Geisel's political strategy.

First, it should be stressed that what seems to be taking place in Brazil today is the tentative liberalization of an authoritarian regime, not the beginning of a transition to an open, competitive democracy. While the rhetoric of the ideals of representative democracy remains part of the Brazilian political dialog (partly because of the long period that the US and England were models for Brazilian modernization), that model is no longer seriously thought to be responsive to Brazil's political needs by the current military power holders and most of their civilian allies. Their preference is for a political system more in line with Brazilian cultural values which stress hierarchy, reciprocal obligation, and the importance of the group over the individual.** Thus, in the present Brazilian

setting the major political issue is not the choice between authoritarianism or democracy but rather the means by which an authoritarian system can become more responsive to popular demands.

A second historical factor of note is that the institutions normally thought of in Western democracies as the main vehicles through which interests are aggregated and expressed have generally been only of secondary importance in Brazil. Political parties, pressure groups and, indeed, the entire legislative system have remained relatively weak throughout the modern political era. They have seldom served as the most important channels through which mass or even elite demands were levied on government or through which the state delivered benefits.

In the Brazilian pattern of political development the critical institution has been the government bureaucracy. Under the impact of rapid urbanization in the late 19th and early 20th centuries, it grew large and powerful prior to Brazil's industrialization. Thus quite early in Brazil's political history, it existed as a convenient tool, first for use by traditional landed ruling groups to protect their interests and to co-opt emerging new power contenders and, later, by early modernizers such as former dictator and later President Getulio Vargas (1930-1945) as he shaped the structure of the first central government with truly national powers. The combination of this prematurely large and powerful public bureaucracy and the strongly patronal authority patterns in Brazilian culture nourished a tendency by virtually all social and economic classes to view the executive branch as the great "patron"—the ultimate arbiter of conflicts and dispenser of largesse.*

This kind of authoritarian and bureaucratized political culture places the issue of the likely consequences of a policy of limiting political liberalization into a special—i.e., a Brazilian—perspective. If the Geisel administration does not meet the expectations of the professional politicians and some other political-

*This view is held, for instance, by Juan J. Linz, "The Future of an Authoritarian Situation" in *Authoritarian Brazil, op. cit.* Linz maintains that authoritarian systems are inherently unstable and are pulled in the direction of becoming either totalitarian states or liberal democracies. In his view, the Brazilian military will not be able to find a legitimacy formula to enable it to institutionalize authoritarian rule so that the Brazilian people will accept it voluntarily. Failing institutionalization, it is unlikely that it can liberalize without stimulating political stress that will lead to divisions within the military and, possibly, an endless succession of military coups.

**This is probably what Geisel had in mind in his August 1st speech when he stated "I reiterate once again our purpose of achieving political development without any kind of commitment to obsolete formulas which are evidently not suitable for the Brazilian reality."

*For example, modern political parties and Brazil's labor union system were basically artificial creations. Vargas set up the modern organized labor structure in the early 1940s under the Ministry of Labor. Under the 1943 Labor Code, still basically unchanged, the government controls recognition of unions, union finances, and the right to strike, and can replace elected officials at will. Two of the three pre-1964 national political parties were established by Vargas as personal political vehicles, and the third consisted primarily of his personal and political enemies. The two existing political parties, the MDB and ARENA, are thus not that much more artificial than the parties they replaced.

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ly aware elements of the population, such as the media and students, tension will develop between the government and these groups. But it need not—and probably would not—lead to mass popular unrest or even a serious loss of trust in the regime on the part of the public generally or the many elites which receive their benefits directly from the bureaucracy rather than through electoral or legislative activity. Nor would the modernization process necessarily be disrupted.

In fact, the stability of the Geisel administration is likely to depend much more on the responsiveness and efficiency of the massive federal bureaucracy than on the role permitted the civilian political class. And the future course of modernization generally may be similarly determined. To most Brazilians, the "political" system of greatest importance is the network of contacts and influence relationships that connects them with the bureaucratic superstructure. These linkages are crucial for them both as individuals and as members of a myriad of associational groups, including business and industrial interest groups; labor, church and civic organizations; and student and sports associations.*

As previously noted, the civil bureaucracy has been greatly enlarged and strengthened during the 11 years of military rule. Existing structures have been considerably expanded. For example, a large number of separate social security institutions were reorganized in 1964 into a single system which now provides a wide range of welfare services—including pensions, subsidized housing and food stores, job retraining and recreational facilities—to virtually all urban workers. Although the pensions and services are often meager by the standards of industrialized nations, the coverage is mandatory and the benefits are real. These programs provide a substantial number of people in all but the most impoverished classes (e.g., the hardcore unemployables) with a significant stake in the existing system. Moreover, new institutions have also been created. For example, a national intelligence service was organized with security offices in every state and in every government ministry and state enterprise. While this certainly extended the government's repressive capability, the intelligence service also func-

tions as a listening post for public grievances and to monitor ministerial performance.*

Of course, this system of bureaucratic authoritarianism, as successful as it has been to date, has potential vulnerabilities. One possible source of breakdown is the kind of administrative rigidity that often affects aging bureaucracies as they develop such a degree of autonomy and self-interest that they increasingly fail to meet changing societal needs. Another possible weakness is the system's dependence on relatively sensitive leadership. With virtually no countervailing powers or other self-correcting mechanisms available in the society, as might be the case were political parties and organized interest groups stronger, a tremendous premium is placed on the top leadership's ability accurately to sense changing needs and to take the policy initiative to meet them. A third critical factor in the maintenance of this kind of system is need for constantly expanding resources to provide the benefits upon which ultimate loyalty to the system depends.

3. Military Unity

Finally, the continued effectiveness of bureaucratic authoritarianism and other aspects of political stability and modernization will require the maintenance of a high degree of unity within the military. Since the first days of the Castello Branco administration some tension between conservative and moderate elements within the military has existed over questions such as how much foreign investment to permit, what kind of relations to develop with Communist countries, and how much civilian political participation to encourage. Although these strains diminished during the Medici administration, they have reappeared as President Geisel expanded trade and diplomatic relations with the USSR, Communist China, and the countries of Eastern Europe, and as he began to relax restrictions on public participation in the political arena.

In the past when disagreements between moderate and conservative military elements escalated to the point where military solidarity was threatened, the

*These points and others on the dominance of authoritarian and bureaucratic values in Brazilian political life are cogently argued by Douglas A. Chalmers, "Political Groups and Authority in Brazil: Some Continuities in a Decade of Confusion and Change" in *Brazil in the Sixties* ed. Riordan Roett. (Nashville, Tenn.: Vanderbilt University Press, 1972).

*Other examples of how the government's administrative structure functions both to receive and respond to interests that are normally expressed through representational institutions in Western democracies are given in Thomas E. Skidmore, "Politics and Economic Policy Making in Authoritarian Brazil, 1937-71," *op. cit.* Skidmore adds the point that the Brazilian bureaucratic technique of converting potentially controversial issues, such as exchange rates changes, into strictly administrative matters tends to defuse them as political issues over which tensions could develop.

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moderates generally gave way to the conservatives in order to maintain unity. The most notable example was the clash that led to the temporary closing of congress and the issuance of new political restrictions under the Fifth Institutional Act in December 1968. In this case and others, however, the conservatives never emerged as a cohesive, disciplined force and, indeed, after their rancor receded, the dictatorial powers their actions had forced the government to assume were applied with considerable restraint.

There are several reasons to believe that current tensions between military moderates and conservatives do not seriously threaten unity within the armed forces and that Geisel may be in a stronger position to exercise control over the conservatives than previous military presidents have been. For one thing, the influence of the conservatives has been diminished by the moderates' success in spreading throughout the officer corps their ESG doctrines on national security and national development, including the value of a relatively non-ideological foreign policy, of foreign investment, and of close civilian-military cooperation in government. All military schools have adapted their curricula to the ESG curriculum and virtually all officers who hope to attain flag rank now attend the ESG at the appropriate point in their careers. Thus, Geisel's political and economic policies seem to have gained wide acceptance within the officer corps.

Secondly, Geisel is not likely to permit his administration to lose this support. It is now apparent that he has no intention of giving up the government's arbitrary powers or of permitting political activity that will seriously disrupt the basic goals and methods of the regime. This should serve to undercut the force of the conservatives' objections to limited liberalization, although some tension over continuation of arbitrary arrest and torture by the security services will undoubtedly remain.

Thirdly, 11 years of successful rule and the experience of having overcome major obstacles appear to have created a high degree of confidence among military officers in their governing abilities and a greater degree of tolerance for criticism. In the past the conservatives have been able to exert a strong influence on government policy only when they have been able to mobilize a large portion of the basically apolitical senior and middle-grade officers on immediate, emotional issues which appeared to attack military honor or to threaten a return to earlier, discredited political times. While this kind of issue may

arise again, particularly if opposition elements prove zealous in taking advantage of their growing opportunities to criticize the government and its policies, it is becoming less likely that the bulk of the officer corps will perceive as serious a threat to the political system or to the military as an institution from these oppositionist activities as they did in previous years. Thus, military conservatives are likely to find a diminishing responsiveness within the officer corps for their stringently anti-Communist, anti-subversion, highly nationalistic positions, even at times of political conflict.

4. Summing Up

Any assessment of the likelihood that the Geisel administration, and future governments operating within the same institutional framework, can cope successfully over the next several years with the problem of political change in a modernizing context must remain tentative. The probability of success in the political arena is less than in the economic sector because the issues are more complicated and less subject to correctable experimentation. It is easier and less risky to revise economic policies to combat inflation, for example, than it is to clamp down on rising political expression and participation once that participation has gathered a momentum of its own. Similarly, caution is required on such issues as whether Brazil's bureaucracy will remain a reasonably responsive and effective tool, and whether the country will continue to enjoy capable leadership.

A final note of uncertainty concerns the modernization process itself. While Brazil's patron-dominated political culture and institutions have proved resilient and adaptable and have worked to support rapid modernization under the military up to now, it is possible that new social and economic groups and mentalities will be produced by the modernization process itself which cannot be adequately handled by the existing system. In this case, societal cleavages might develop, similar to but much stronger and less easily repressed than those which began to emerge during the Goulart period. Certainly, too, the Brazilian economic "miracle" could be interrupted by forces arising from the international environment, thereby depriving the political system of the resources it must have to operate successfully. And, even under the best of circumstances, there are likely to be setbacks and diversions from Brazil's drive to great power status.

With all these possibilities taken into consideration, however, Brazil's chances of solving the problems of

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modernization—economic, political, and social—are probably better than any other developing country in Latin America and, perhaps, in the world as well. The basic set of congruities described earlier between the regime's modernization strategy and Brazilian economic, social, and political realities should help the present leadership navigate through rough waters. Because of the strong position of the government and the relatively low political volatility of the public, the military regime has some time—several years at least—to play out its liberalization scenarios without undue risk of political pressures getting out of hand. At the international level, even in a world of economic stringencies, Brazil's considerable political and economic assets will still make it a relatively favorable arena for foreign investors. Finally, the country's military modernizers have demonstrated both a capacity to create institutions and policies and a flexibility in using them that strengthen their prospects for coping effectively with unanticipated obstacles.

IV. IMPLICATIONS

There is perhaps one overarching implication for the US from the foregoing analysis. As modernization has become the central concern in countries like Brazil, which already have some regional power and a taste for influence in world affairs, their foreign policies have taken on a new, more demanding quality that increasingly affects their relationships with the industrialized world. Particularly as their need grows for external resources, including technology, capital, and markets, the importance of modernization as an issue in world politics is increasing. And to the extent that it is becoming a pivot point in international relations, the salience of other factors such as East-West ideological divisions, strategic military considerations and traditional friendships diminishes as a determinant of foreign policy.

This shift in priorities means that the ability of the US to accomplish its chosen objectives in bilateral and multilateral forums will increasingly depend on how key developing nations judge Washington's attitude towards their modernization efforts. Countries like Brazil have committed themselves to attempting to accelerate and guide the changes inevitably occurring in their societies. Thus their relations with the US will tend to rise or fall basically on whether it appears to be aiding or blocking their desired courses of development.

Since these key developing countries are largely dependent on the industrialized world for the essential external inputs to modernization, the US and other developed nations still possess enormous leverage in "North-South" relations. Nevertheless, adjusting to the politics of modernization is likely to be a painful process for the "have" nations. The demands of the more powerful developing nations cannot be easily dismissed. For one thing, they, along with their less fortunate brethren, possess a tremendous advantage in numbers in the UN and other international forums. For another, some of them have gained at least a temporary club to use on the industrialized nations because they control critical raw materials. This, in turn, has introduced a new source of competition and tension among the industrial countries themselves. Finally, the key developing nations will enjoy—and exercise—new leverage because their cooperation is needed to handle effectively such long-term global problems as food shortages, rising population, pollution, law of the seas, and the dispersion of nuclear technology.

Except to underscore their importance, an examination of the implications of the politics of modernization for the resolution of these global issues is beyond the scope of this paper. What is relevant here is to note that there are two different approaches which developing countries are taking in their effort to obtain greater benefits from the world economic order. The more radical approach seems to call for a rapid and absolute transfer of wealth from the industrialized to the developing world. Frequently, this position is taken by those countries which want a larger share of the world economic pie but have little prospect for significant advancement and are capable of making only a marginal contribution to the growth of that pie. More recently, some of the underpopulated, oil-rich countries, motivated by decades of accumulated resentments and now at least temporarily in possession of immense leverage, are manipulating the world economy to bring about a net transfer of wealth through the oil price mechanism.

The second, more moderate form of redistribution accepts the desirability of the continued growth of all parts of the world economy, including the developed countries, and seeks a larger share of that new economic growth rather than a net reduction of the industrial world's existing wealth. The countries which pursue this approach, such as Brazil, are those with reasonably good prospects for growth but with tem-

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porary constraints to realizing their ambitions. They can already make some contribution to expansion of the pie, and can be expected to seek every advantage to remove the constraints that inhibit their growth. As long as the future continues to hold a reasonable promise of continued rapid modernization, they may remain satisfied with strategies which bring them greater influence on the world scene and a larger share of the increment, rather than an absolute transfer from the already rich.

The dangers to US interests worldwide posed by the radical, confrontational approach to modernization are fairly obvious. But dealing even with the Brazils of the world and their more moderate demands will also be stressful. If the US supports the modernization efforts of these countries, in a sense it is underwriting its own competition for, among other things, scarce raw materials and foreign markets. In addition, an economically stronger Brazil will be able to make foreign policy demands in a more forceful, assertive way both in the international arena and bilaterally, particularly as it attempts to modify some of the rules-of-the-game that up to now have tended to favor the old rich nations.

Brazil's shift towards a foreign policy based on an independent determination and assertion of its own national interests is already well underway. The change from its previous foreign policy posture is considerable. Historically, Brazil perceived a strong mutuality of interests with the US and frequently followed the US lead in international matters. This was reinforced during the Castello Branco administration by close personal bonds between Brazilian and US military leaders.

While strong traditional ties remain, they no longer have the force or momentum automatically to submerge frictions in Brazil-US relations. Especially as the generation of leaders who shared experiences in World War II retires in both countries, the feeling is diminishing in Brazil that its destiny is closely linked with that of the US.

Instead, Brazilian policymakers, especially in the Foreign Ministry, have recast their foreign policy into a tool to gain as much freedom of maneuver as possible in the international arena. The basic perception that drives them is that the existing world order, whether seen as a bi-polar (US vs. USSR) or a multi-polar (all highly industrialized nations) contest for power, must be changed to permit the entry of Brazil as a new great power.

Pursuing *grandeza* through rapid, export-oriented industrialization has seemed to work well so far for Brazil's military rulers, but this approach to modernization has built in ambiguities and tensions. Psychologically, it is undoubtedly difficult for the policymakers of a country seeking greatly expanded wealth and power to believe that others will ever peacefully share them more equally. In addition, the intense focus on rapid modernization tends to lead Brazilian policymakers to perceive almost all foreign policy conflicts as potentially threatening to Brazil's most basic interests. Since foreign governments may not always recognize that this hostile interpretation will frequently be placed on their efforts to counter Brazilian international initiatives, the chances for misunderstanding and for escalation of foreign policy disagreements into major conflicts are heightened.*

Another note of ambiguity and potential tension specifically adheres to Brazil-US relations. The US is Brazil's predominant source of foreign investment, technology, and imports. As part of their push for greater independence, however, Brazilian leaders are making a strenuous effort to diversify the sources of external aid to their development. Thus, while they still want and need the US as their major development partner, they have deliberately introduced a strong note of competition which could eventually considerably reduce US leverage with and economic returns from Brazil.

In brief, then, the politics of modernization have led to an increasing divergence between US and Brazilian interests and this divergence is likely to grow. The eventual extent of this divergence and the intensity of friction that is generated will depend on the resolution of some knotty issues:

- To what extent will Brazil demand better access to US markets and help in obtaining more stable commodity prices? How responsive will the US be since the short-term costs of granting these concessions will sometimes be heavy?
- Will the US accede to the Brazilian desire for a transfer to it of a larger share of the responsibility

*To some degree this is probably what underlay Brazil's strong reaction when the US questioned the wisdom of Germany's sale of advanced nuclear technology to Brazil. The US opposed the sale on the general grounds that it encouraged the spread of technology that could be used for nuclear weapons manufacture, to the potential detriment of world peace. The Brazilians seem to have interpreted the US intervention much more narrowly as a direct attempt to prevent them from obtaining an essential element for their economic development and attainment of world power status.

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ty and capacity for decision-making on issues of critical concern to Brazilian development? The key perception here is whether the US will support the passage to Brazilian institutions of some of the powers over their economy now located abroad in the foreign headquarters of transnational corporations operating within their borders, in the major international financial institutions on which they are dependent for debt relief and low interest loans, and in the governments and markets of the advanced industrial nations which largely determine the terms of trade for their primary exports.

—Can the Brazilian desire to acquire advanced technology from US sources be met at an acceptable political and economic price to US interests? For example, can the US and Brazil work out an agreed formula under which Brazil's interests in developing a sophisticated nuclear energy industry can be satisfied while, at the same time, protecting basic US interests in avoiding the spread of nuclear weapons technology and capability?

—Can the US "tolerate" in Brazil a degree of repression, much greater than is acceptable within the US political culture, but which seems to be an inherent part of Brazil's authoritarian political system and which the military views as essential to successful development?

Finding mutually acceptable solutions to these problems will not be easy given the complexity of the foreign and domestic pressures involved in both the US and Brazil. The US in particular will have to balance some concrete short-term disadvantages against some anticipated but uncertain long-term gains.

To a degree, calculating these possible long-term gains is difficult since they partially depend on future world conditions over which the US will have only limited control. Nonetheless, it seems safe to conclude that one of the consequences of a serious disruption in Brazil's drive to modernize would be a general worsen-

ing of relations with the US. Stimulated by rising anti-US and narrowly nationalistic emotions, the present, already formidable US stake in Brazil, would be threatened.* Future markets for US goods and capital would be lost. Most importantly, if Brazil's *grandezza* meets with frustration, it might easily slide over into the camp of those countries which advocate more radical and forceful confrontation with the industrial world.

If, however, modernization in Brazil proceeds apace and its leaders' perceptions of US attitudes towards their country's rapid development remain favorable, then opportunities for mutually advantageous trade and investment should grow. Moreover, Brazil's ultimate success in arriving at world power status with the support of the US would aid in the development of a commonality of world political interests as against radical and destructive moves by those increasingly desperate nations which do not make it.

In sum, the influence the US can exert on the politics of modernization worldwide—now primarily focused on LDC efforts to achieve a new world economic order—may be a reciprocal of its own position. If the US is perceived as resisting any redress of the international balance of wealth, then the radical approach to development could become more attractive, even for countries like Brazil. If, to the contrary, the US continues to be seen as a potential ally in the effort to become modern, then many of the key developing countries such as Brazil will have a positive stake in pursuing more moderate strategies of modernization. The likely direction of world politics cast in this frame would be to lessen the influence in world forums of those developing countries which use the politics of modernization to seek radical confrontation with the industrial world. Even more importantly US-LDC relations generally would probably take on a more cooperative configuration within which the competition and conflict generated by the politics of modernization could be held to at least tolerable levels.

*In 1974 alone Brazil provided a market of over \$3 billion for US industrial and agricultural products. By the end of 1974 cumulative direct US investments (and reinvestments) totaled \$3.5 billion.

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